

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-24 INR-11 LAB-06

NSAE-00 RSC-01 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SP-03 SS-20 USIA-15 SCCT-02

TRSE-00 AID-20 DRC-01 /145 W
----- 097053

R 020840Z OCT 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 6227

INFO AMEMBASSY TOKYO

CINCPAC

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E.O. 11652: N/A

TAGS: ELAB, ECON, KS

SUBJECT: FAIRCHILD SEEKS SETTLEMENT OF MAJOR LAY-OFF

REF: SEOUL 6383

1. FAIRCHILD MANAGEMENT IS NOW ENGAGED IN NEGOTIATIONS WITH UNION AND LABOR AUTHORITIES TO FIND ACCEPTABLE SOLUTION FOR PENDING PAYROLL CUT REPORTED REFTEL. COMPANY HAS INDICATED READINESS TO BE FLEXIBLE AND TO LIMIT DISMISSALS TO MINIMUM. ON BASIS OF CURRENT AND ANTICIPATED LEVEL OF BUSINESS, MANAGEMENT SAYS IT MUST CUT \$200,000 FROM MONTHLY PAYROLL. THIS MAY NECESSITATE RIF OF UP TO 1,800 EMPLOYEES AND/OR SUBSTANTIAL CUT IN WORK TIME AND EARNINGS.

2. COMPANY SAYS CUTS REQUIRED BY POLICY OF ADJUSTING PAYROLL TO THREE MONTHS AVERAGE OF BOOKING-SHIPING ORDER RATIO WHICH NOW DOWN BY ONE THIRD DUE TO DROP OF ORDERS FROM EUROPE AND US. ALTHOUGH EMPLOYMENT LEVEL WOULD STILL BE HIGHER THAN THAT OF 1973, PROBLEM COMPOUNDED BY CUT OF 700
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EMPLOYEES IN AUGUST AND GENERAL ECONOMIC SLOWDOWN WHICH OFFERS

AFFECTED WORKERS LITTLE ALTERNATE EMPLOYMENT OPPORTUNITIES.

3. MAJOR QUESTION NOW UNDER CONSIDERATION IS SEVERANCE PAY ALLOWANCES VERSUS CUTS IN WORK TIME AND EARNINGS WHILE MAINTAINING MAXIMUM FEASIBLE EMPLOYMENT LEVEL. IN VIEW THIS SECOND MAJOR LAY OFF IN TWO MONTHS, UNION AND OFFICE OF LABOR AFFAIRS (OLA) FACE DIFFICULT TASK OF IMPOSING ACCEPTANCE OF WAGE AND EMPLOYMENT CUTS ON WORKERS.

4. UNION, HAVING BEEN FORCED TO ACCEPT EARLIER LAY OFF, IS NOW DETERMINED TO GET MAXIMUM CONCESSIONS AND IS STILL THREATENING POSSIBLE STRIKE ACTION. BIGGEST PROBLEM IS IMPACT OF REDUCTION ON SEVERAL HUNDRED SALARIED EMPLOYEES AND SKILLED MECHANICS, WHO HAVE BECOME MOST MILITANT ELEMENT OF UNION.

5. OLA, WHILE OBVIOUSLY IRRITATED ABOUT HAVING TO FORCE ANOTHER REDUCTION UPON WORKERS, IS UNDER PRESSURE TO SETTLE MATTER WITH MINIMUM IMPACT ON FOREIGN BUSINESS COMMUNITY. LABOR OFFICIALS WOULD PREFER MAINTENANCE OF MAXIMUM EMPLOYMENT EVEN AT EXPENSE OF EARNINGS AND SHORTER WORK TIME.

6. COMPANY REALIZING DIFFICULT SITUATION IS WILLING TO MAKE GENEROUS OFFER REGARDING SEVERANCE PAY AND MINIMIZING WAGE CUTS FOR THOSE RETAINED, BUT SAYS THAT IN CASE OF VIOLENCE OR SERIOUS SABOTAGE IT WOULD PULL OUT OF KOREA. THUS, UNION CHOICE IS ESSENTIALLY BETWEEN PRESERVING FOUR TO FIVE THOUSAND JOBS VERSUS NO JOBS.

7. COMMENT: SO FAR BOTH MANAGEMENT AND OLA HAVE ACTED IN RESPONSIBLE FASHION SEEKING PEACEFUL SOLUTION. LABOR OFFICIALS HAVE ASSURED MANAGEMENT THAT EVERYTHING WILL BE DONE TO AVOID OUTBREAK OF VIOLENCE, ALTHOUGH TOKEN STRIKE AND SOME PROTEST DEMONSTRATIONS CAN BE EXPECTED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PERSONNEL SEPARATIONS, CIVIL DISORDERS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SEOUL06537
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740278-0610
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741079/aaaacppy.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: SEOUL 6383
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 31 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 JUL 2002 by martinml>; APPROVED <07 MAR 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FAIRCHILD SEEKS SETTLEMENT OF MAJOR LAY-OFF
TAGS: ELAB, ECON, KS, FAIRCHILD MANAGEMENT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005